

FLORIDA PUBLIC SERVICE COMMISSION

REVISED

SPECIAL COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Wednesday, March 25, 2009, 9:30 a.m.

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: March 19, 2009

NOTICE

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An audio version of the conference is available and can be accessed live on the PSC Website on the day of the Conference. The audio version is available through archive storage for up to three months after the conference.

ITEM NO.

CASE

1

Docket No. 080121-WS – Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: Lingo, Fletcher, Bulecza-Banks, Hudson

GCL: Jaeger, Fleming, Klancke, Saylor

(Post-Hearing Decision - Participation is limited to Commissioners and Staff)

Issue 64: What water systems, if any, should be consolidated into a single rate structure?

Issue 65: What wastewater systems, if any, should be consolidated into a single rate structure?

Recommendation: Staff recommends consolidating the water systems into the following bands (a/k/a rate groups):

<u>Band 1</u>	<u>Band 3</u>	<u>Band 4 = capped systems</u>	<u>Band 4 (cont.)</u>
Jasmine Lakes	48 Estates	Arredondo	River Grove
Kings Cove	Gibsonia Estates	Beechers Point	Rosalie Oaks
Ocala Oaks	Interlachen Lake	East Lake Harris	Sebring Lakes
Picciola Island	/ Park Manor	Friendly Center	Silver Lake Oaks
Silver Lake Estates	Lake Osborne	Haines Creek	Skycrest
Tangerine	Orange Hill	Harmony Homes	Stone Mountain
	Quail Ridge	Hermits Cove	Summit Chase
	Ravenswood	Hobby Hills	The Woods
	Venetian Village	Holiday Haven	Tomoka
		Imperial Mobile Terrace	Village Water
		Jungle Den	Welaka / Saratoga Harbor
		Kingswood	Wootens
		Lake Josephine	Zephyr Shores
		Lake Suzy	
		Leisure Lakes	
		Morningview	
		Oakwood	
		Palm Port	
		Palm Terrace	
		Palms MHP	
		Pomona Park	

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Staff recommends consolidating the wastewater systems into the following groups:

<u>Band 1</u>	<u>Band 2</u>		<u>Band 3 = capped systems</u>	<u>General Service Band</u>
Kings Cove Leisure Lakes Summit Chase Valencia Terrace	Arredondo Holiday Haven Lake Suzy Palm Port Silver Lake Oaks Sunny Hills Venetian Village Interlachen Lake / Park Manor	Chuluota Jasmine Lakes Morningview Palm Terrace South Seas The Woods Zephyr Shores	Beechers Point Jungle Den Lake Gibson Est Rosalie Oaks	Village Water FL Central Comm

The Chuluota water system has been left as a stand-alone system, reflecting the Commission’s decision at the February 24, 2009 Special Agenda to reduce that system’s return on equity (ROE).

Regarding rate consolidation, consistent with Commission decisions in prior cases as well as the Commission’s decision on Issue 63 from the February 24, 2009 Special Agenda Conference, statewide single tariff rates should be the long term goal for AUF. However, staff recommends that the magnitude of subsidies created for some systems is excessive; therefore, statewide single tariff rates should not be implemented in this proceeding. Instead, staff recommends consolidating the water and wastewater systems using the capband approach, and reallocating \$578,449 of revenue requirement recovery from the wastewater systems to the water systems. The revenue reallocation should be applied only to those water systems that also have wastewater systems. The water systems will receive the reallocated revenues based on a proration of the affected water systems’ equivalent residential connections (ERCs).

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In addition, staff recommends that the Commission revisit the prior decisions rendered at the Special Agenda Conference on February 24, 2009 with respect to the appropriate subsidy and affordability limits. Based on the Commission's approved revenue requirements for the individual systems and staff's recommended rate consolidation methodology for the water and wastewater systems, staff recommends that a subsidy limit of \$12.50 rather than \$5.89, is appropriate. Staff also recommends that the affordability limits of \$65.25 and \$82.25 for water and wastewater service, respectively, should be applicable to residential service only. The Commission should not consider affordability limits for general service customers.

Issue 66: What, if any, are the appropriate repression adjustments to make?

Recommendation: The appropriate repression adjustments, based on a price elasticity factor of -0.3 applied to residential water consumption greater than 5,000 gallons per month, are shown in Table 66-1 in the analysis portion of staff's memorandum dated March 18, 2009.

In order to monitor the effects of both the changes in revenues and rate structure, the Utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed for each system. In addition, the reports should be prepared, by customer class and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

Issue 67: What are the appropriate monthly rates for the water and wastewater systems for the Utility?

Recommendation: The appropriate monthly rates for the water systems are shown, by system, on Schedule No. 1-A of staff's memorandum dated March 18, 2009. The appropriate monthly rates for the wastewater systems are shown, by system, on Schedule No. 1-B of staff's memorandum dated March 18, 2009. Excluding miscellaneous service revenues, and after the reallocation of \$578,449 from the wastewater systems to the water systems, the recommended water rates are designed to produce total Utility revenues of \$9,309,049, while the recommended wastewater rates are designed to produce corresponding revenues of \$5,585,679.

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The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

Issue 70: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 1-A and 1-B of staff's memorandum dated March 18, 2009 to remove \$288,580 of water and \$104,511 of wastewater rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. AUF should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 74: Should the Utility be allowed to make future index and pass through filings on a consolidated basis?

Recommendation: If the Commission approves fully consolidated rates, AUF should be allowed to make future index and pass-through filings on a consolidated basis. If the Commission does not approve fully consolidated rates, staff recommends that: 1) AUF should be allowed to file price indexes on a consolidated basis; 2) pass-throughs should be separate for any approved stand alone rate systems; and, 3) for systems a part of an approved rate band, pass-throughs should be shared by all systems within each respective band.

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Issue 75: Should the Utility's request to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements from individual system bases to one combined set of books be allowed?

Recommendation: If the Commission approves fully consolidated rates, AUF should be allowed to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements from individual system basis to one combined set of books. If the Commission does not approve fully consolidated rates, the Utility should be allowed to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements from individual system basis to the number of stand alone rates and rate bands approved by the Commission.

Issue 76: Should this docket be closed?

Recommendation: If the Commission's final order is not appealed, this docket should be closed upon staff's approval of the tariffs, verification of the required refunds, and the expiration of the time for filing an appeal.